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H.R. 683, “Trademark Dilution Revision Act of 2005”

Before the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property

Summary of Testimony

Trademark dilution – uses of another’s mark that blur or otherwise interfere with the ability of that mark to identify the source of goods – was outlawed by Congress in 1995. After the passage of that law, overzealous trademark owners sought to expand it beyond its bounds, arguing that even run-of-the-mill marks were sufficiently famous to qualify for trademark protection and that the law should prohibit parody, criticism, and other legitimate uses of their marks by third parties. Perhaps in response to these excesses, courts in several cases – most notably the Supreme Court’s 2003 decision in *V Secret Catalog v. Moseley* – interpreted the statute so narrowly as to effectively foreclose any protection against dilution. Neither the expansive reading proposed by trademark owners nor the restrictive reading ultimately adopted by the courts properly balances the competing interests of trademark owners, commentators, and consumers. H.R. 683 strikes the proper balance, limiting trademark dilution to truly famous marks and to truly diluting uses without setting an impossible burden of proof.

Trademark dilution – uses of another’s mark that blur or otherwise interfere with the ability of that mark to identify the source of goods – was outlawed by Congress in 1995. Dilution is a real, if not pervasive, problem. The owners of some famous trademarks must contend with a host of uses that may not confuse consumers, but that draw on consumer recognition of the famous mark in a way that makes it more difficult over time for consumers to associate the mark with a consistent brand image, ultimately raising consumer search costs. To take just one example, eBay, the well-known provider of online auctions, is faced with hundreds of companies and Web sites that use [__Bay.com] to draw attention to their (often auction-related) services. Appendix 1 lists 186 such sites, ranging from “umbrellaBay.com” and “bargainBay.com” to “blingBay.com” and “OilBay.” This multitude of __Bay.com uses blurs the uniqueness of the eBay mark. Of particular note are companies that use the __Bay.com style for goods or services that consumers might consider offensive, such as “nazibay.com” (which sells Nazi memorabilia) and “xbay.com” (which offers pornographic videos). Appendix 2 attaches screen shots from several of these Web sites. Traditional trademark law will not prevent these uses unless consumers are confused – ie. they actually believe eBay has provided or sponsored these sites. But even in the absence of such confusion, eBay’s brand image may be irretrievably harmed, either because the connection between __Bay.com and the company is blurred in the minds of consumers who see these different sites, or because particular sites offend consumers who then associate the offensive material in their minds with the eBay brand.

The Federal Trademark Dilution Act of 1995 (FTDA) was designed to deal with these problems by providing a limited number of famous marks with protection not only against confusing uses, but also against non-confusing uses that affected consumer perceptions of their brands. After the passage of that law, however, overzealous trademark owners sought to expand it beyond its bounds. Some argued that even run-of-the-mill marks were sufficiently famous to qualify for trademark protection, persuading courts that such marks as Intermatic, TeleTech, Nailtiques and WaWa were sufficiently famous to be entitled to protection. Others applied the statute to marks that were famous only to a narrow “niche” of consumers, even if they were unknown to the world at large. Still others sought to apply the law to prohibit parody, criticism, and other legitimate uses of their marks by third parties, including political advertisements for candidates that used trademarks to make a point, Web sites that criticized a company with which a consumer had had a bad experience, and social commentary making fun of familiar consumer icons such as the Barbie doll.

Perhaps in response to these excesses, courts in several cases interpreted the statute so narrowly as to effectively foreclose any protection against dilution. Most important in this regard is the Supreme Court’s 2003 decision in *V Secret Catalog v. Moseley*, which interpreted the FTDA to apply only to cases in which the famous mark had actually been blurred. The *V Secret* decision also suggested that dilution by tarnishing the reputation of a mark might not be actionable under the FTDA at all, even though it has long been recognized as one of the two rationales for dilution. And the

Second Circuit has held that the FTDA requires proof of inherent rather than acquired distinctiveness, meaning that descriptive marks like “McDonald’s” could never be entitled to protection against dilution, regardless of how famous they became.

Proof of actual harm turned out to be virtually impossible to obtain, even in cases in which the blurring effect seemed clear. For example, in *Google v. Googlegear*, the district court refused to find actual dilution of the famous Google mark by a company that used the “Google” mark to sell its own computing products, even though Google showed that Googlegear attracted most of its consumers to its site by using the Google mark, and that consumers who had a bad experience on that site blamed Google for that experience. Many other courts have rejected dilution claims out of hand in the wake of *V Secret*.

Neither the expansive reading proposed by trademark owners nor the restrictive reading ultimately adopted by the courts properly balances the competing interests of trademark owners, commentators, and consumers. Dilution is a real problem, one that should be addressed by Congress. At the same time, abuse of the law by trademark owners is also a real problem, one that can do serious damage to freedom of speech, to legitimate competition, and ultimately to consumers themselves.

H.R. 683 strikes the proper balance, limiting trademark dilution to truly famous marks and to truly diluting uses without setting an impossible burden of proof. In particular, four changes in the existing legal rules are worth highlighting:

- HR 683 returns the law to the pre-*V Secret* standard of a likelihood of dilution. Given that dilution is a hard problem to quantify, and that the primary relief the bill provides is injunctive, this standard makes sense. Requiring actual dilution, as the law now does, not only creates problems of proof but prevents the courts from effectively remedying dilution once it has occurred.
- HR 683 protects not only those famous marks that are inherently distinctive, but those that have acquired distinctiveness as well, provided they are now sufficiently famous. While the normal mark entitled to dilution protection will be unique, and therefore likely arbitrary or fanciful, there are certain descriptive marks (like “McDonald’s”) that are sufficiently famous as to be deserving of protection.
- HR 683 strengthens the requirement of fame. By making it clear that the mark must be “widely recognized by the general consuming public of the United States,” the bill rejects the application of the law to so-called “niche” fame among a few people or in a small part of the United States. This will help to curb the abuses of the FTDA that occurred in the 1990s by the owners of non-famous trademarks.
- HR 683 expressly adopts the requirement that the defendant use a mark as a “designation of source.” This is a familiar requirement from traditional trademark

law, where it is sometimes called the “trademark use” requirement. Adding it to the dilution statute provides an important safeguard against the use of the law to attack free speech or legitimate competition. Competitors, parodists, disgruntled consumers, the media and others will be free to use even famous trademarks to comment, criticize, discuss or make fun of the trademark owner, and to engage in legitimate comparisons between their products and the trademark owner’s. Similarly, everyone will be able to use a trademark that also has a dictionary meaning (such as “visa”) in its dictionary rather than its trademark sense. None of these uses seek to appropriate the famous mark as a brand for the defendant’s own products. Only where the defendant uses the famous mark *as a mark* – as a means of identifying their own goods – are the risks of dilution present.

These changes address both the excesses of trademark owners and the overreaction of the courts. In my view, they properly strike the balance between over- and underprotection in this important area of law.

In evaluating HR 683, and in particular its impact on First Amendment rights, it is important to keep in mind a number of provisions of the FTDA it does not change. The FTDA already exempts comparative advertising, noncommercial use, news reporting and commentary from its ambit, and HR 683 would maintain those exemptions. The legislative history of the FTDA made it clear that the meaning of “commercial use” was established by long-standing caselaw interpreting the “commercial speech” doctrine in the First Amendment. Under these principles, only speech that proposes a commercial transaction, not any speech that may ultimately generate revenue, is commercial speech to which the dilution statute applies. Congress should reaffirm that history in reenacting identical language in HR 683. Further, existing defenses to trademark infringement, such as the doctrines of fair use and noncommercial use, presumably remain available to defendants under the new bill to the same extent they did under the FTDA. Again, legislative history making it clear that HR 683 does not eliminate or override those defenses would be useful in restraining aggressive interpretations of the statutory language and in preserving the important freedoms of speech, parody, criticism and commentary.